

VZCZCXRO2330
OO RUEHCHI RUEHCN RUEHDT RUEHHM
DE RUEHBK #0163/01 0221008
ZNR UUUUU ZZH
O 221008Z JAN 09
FM AMEMBASSY BANGKOK
TO RUEHC/SECSTATE WASHDC IMMEDIATE 5745
INFO RUCPDO/DEPT OF COMMERCE WASHDC IMMEDIATE
RUEHRC/DEPT OF AGRICULTURE WASHINGTON DC IMMEDIATE
RUEATRS/DEPT OF TREASURY WASHINGTON DC IMMEDIATE
RUEHXS/ASSOCIATION OF SOUTHEAST ASIAN NATIONS IMMEDIATE
RUEHBJ/AMEMBASSY BEIJING IMMEDIATE 6705
RUEHBY/AMEMBASSY CANBERRA IMMEDIATE 9369
RUEHUL/AMEMBASSY SEOUL IMMEDIATE 5218
RUEHKO/AMEMBASSY TOKYO IMMEDIATE 1329
RUEHCHI/AMCONSUL CHIANG MAI IMMEDIATE 6093
RUEAIIA/CIA WASHINGTON DC IMMEDIATE

UNCLAS SECTION 01 OF 02 BANGKOK 000163

STATE FOR EAP/MLS, EEB
STATE PASS TO USTR FOR WEISEL AND BISBEE
TREASURY FOR SCHUN AND MNUGENT
COMMERCE FOR EAP/MAC/OKSA
COMMERCE PASS TO USPTO
SINGAPORE FOR FINATT BAKER

SENSITIVE
SIPDIS

E.O. 12958:N/A
TAGS: [ECON](#) [EFIN](#) [EINV](#) [ELAB](#) [ETRD](#) [KIPR](#) [PGOV](#) [TH](#)
SUBJECT: NEW PM TACKLES THAILAND'S ECONOMIC CHALLENGES

REF: A. 08 BANGKOK 3774 (NEW COMMERCE MINISTER)
[1](#)B. 08 BANGKOK 3747 (NEW FINANCE MINISTER)
[1](#)C. 08 BANGKOK 3746 (NEW ECONOMIC TEAM)
[1](#)D. 08 STATE 134459 (FINANCIAL CRISIS REPORTING)

BANGKOK 00000163 001.2 OF 002

[1](#)1. (SBU) SUMMARY: Thailand's fourth quarter economic figures show an "economy in crisis," Prime Minister Abhisit Vejjajiva told numerous local and foreign audiences over the last several weeks during a non-stop schedule of speeches to woo the country with his cabinet's economic stimulus plans. "Manufacturing is down; productivity is down; exports are down; tourism is down." But Abhisit and his finance minister, Korn Chatikavanij, believe they have a good mix of programs and incentive packages to help Thailand weather, at least in the short run, the global economic crisis. In comments to foreign audiences, Abhisit has pledged to liberalize the ability of foreign business to operate in the Thai economy and has said he will curtail the use of compulsory licenses for pharmaceuticals. END SUMMARY.

[1](#)2. (SBU) COMMENT: The analysis behind Abhisit's economic proposals appears well thought out and is impressively presented, a welcome change from the economic policy-making of preceding governments over the last year. Abhisit's pitch is also attuned to play well politically to an audience that demands the continuation of the ever-popular populist programs begun under former Prime Minister Thaksin Shinawatra, incurring some criticism from the Bangkok business sector that the program has too little in it for them. Abhisit and Korn are also aware that there may be little they can do to rescue Thailand's economy absent improvement in the global economy, and are developing longer-term investment plans that can be rolled out later. Even if the economy does not turn around soon, they want to build confidence that their government is Thailand's best bet to deal with the challenges. END COMMENT.

Abhisit Sprints from the Starting Line

[1](#)3. (SBU) Prime Minister Abhisit Vejjajiva has spent much of his first few weeks in office explaining how his administration hopes to tackle the current economic challenges facing Thailand -- and he has done so in a large-scale public relations effort. Abhisit headlined

numerous big-ticket events, including extravagant affairs sponsored by the Bangkok Post, the Thailand Board of Investment, and the Foreign Correspondents Club of Thailand. He presented pro-business plans to influential audiences amidst his populist proposals to rescue the Thai economy from what appears to be a worsening situation.

14. (U) Thailand's fourth quarter economic figures show an "economy in crisis," Abhisit told a group of more than 1,000 press and business leaders at the January 15 Bangkok Post event. He added that nearly every economic and financial indicator is in the red: "Manufacturing is down; productivity is down; exports are down; tourism is down." The Ministry of Finance announced on January 21 that the Thai economy is likely to contract further in the first quarter of 2009 because of weaker exports and fewer tourist arrivals. Abhisit's outreach efforts will continue over the next several weeks; he addresses the American Chamber of Commerce at a dinner on February 3, which will also include a conference call with the U.S. Chamber of Commerce in Washington.

Stimulus Package -- Priority No. 1

15. (SBU) Abhisit has pitched his economic stimulus ideas to Bangkok elites on nearly a daily basis since he assumed his position in late December. He describes the initial proposal, valued at approximately 120 billion baht (US\$3.5 billion), as "quick, targeted spending" to "sustain purchasing power and promote economic growth." Consisting of largely populist measures, the "quick spending" essentially consists of a one-time cash payment of 2000 baht (nearly US\$60) to low-income earners, supplementary financial support to rural communities, and subsidies to lower transportation and utilities costs for the poor and elderly. Abhisit told the January 19 Board of

BANGKOK 00000163 002.2 OF 002

Investment audience that the package would "make sure our people can continue to spend" during this economic downturn.

16. (SBU) Abhisit pledged to present the official budget request to Parliament by the end of January. Despite the political hurdles and various layers of approvals required, Abhisit hopes to quickly inject the 120 billion baht into the economy with a "big splash." He has said that the funds would leave government coffers by late March or early April, but most observers believe these projections are overly optimistic. His economic team is reportedly busy at work on numerous other options that could be presented throughout the coming months. (Note: Details on the economic recovery proposals are provided septel.)

Pro-Foreign Business, Too

17. (U) In his January 19 presentation, Abhisit began with a nod to the largely foreign investor audience: "Investors are the real drivers of the Thai economy; your continued faith in the Thai economy will be rewarded." Abhisit added that government should provide certainty and rules to those who conduct business, and avoid government efforts to manage the economy. He promised to "work closely with business," but noted "I have no right to your cooperation; I will have to earn it... Our government will continue to be market friendly and open to the world."

18. (U) Abhisit emphasized that his administration is committed to market access and market liberalization, even amidst the ongoing global financial crisis. In a pitch to the largely foreign audience on January 19, Abhisit emphasized that he has "no intention" to amend the Foreign Business Act in a way that would further restrict foreign ownership in certain business sectors. On the contrary, he said that he had already asked the government's oversight committee for the Foreign Business Act to review what additional sectors can be liberalized.

19. (U) When asked about the previous government's mega-projects and future investment opportunities, such as the southern seaboard,

Abhisit said, "Most, if not all, will proceed. However, these projects require a significant amount of time before we realize the fruits of the investments." When asked about rising power costs for business, particularly the high costs of natural gas, Abhisit answered that he had called on the National Energy Policy Committee on January 16 to conduct a "complete review" of the government's energy policies, including the pricing structures for energy. Abhisit stated that the government should not allow for monopoly returns, and the monopolistic elements of the state-controlled petroleum conglomerate PTT that have lead to unfair costs should be "corrected." He noted that he expected the 2008 problems of high food and fuel prices to return in the near future, and he plans to invest significant government funds in alternative energy technologies, particularly those that will help boost the agricultural sector.

¶10. (SBU) Touching on topics he believes have been of concern to foreign investors, Abhisit also said his government is "aware of the consequences internationally" for Thailand's compulsory licensing of pharmaceutical products. While recognizing that the government needs to improve access to medicines, Abhisit said he will seek "other acceptable means" to improve healthcare for Thai citizens, rather than pursue compulsory licenses. "We will not violate any international agreements, and we will comply with all WTO standards." (Note: We have never taken the position that Thailand's issuance of compulsory licenses violated international agreements, but apparently the PM believes that we, or maybe the Europeans, think that. End Note.)

JOHN